

**LODI CITY COUNCIL
SHIRTSLEEVE SESSION
CARNEGIE FORUM, 305 WEST PINE STREET
TUESDAY, JULY 20, 2010**

A. Roll Call by City Clerk

An Informal Informational Meeting ("Shirtsleeve" Session) of the Lodi City Council was held Tuesday, July 20, 2010, commencing at 7:00 a.m.

Present: Council Member Hansen, Council Member Johnson, Council Member Mounce, Mayor Pro Tempore Hitchcock, and Mayor Katzakian

Absent: None

Also Present: Interim City Manager Bartlam, City Attorney Schwabauer, and City Clerk Johl

B. Topic(s)

B-1 Presentation Updating Status of PCE/TCE Cleanup Program, Proposed Wastewater and Water Rates, Status of Water Meter Program, and Status of Surface Water Treatment Plant Facility (PW)

Interim City Manager Bartlam briefly introduced the subject matter of water and wastewater related topics.

Consultant Phil Smith from Treadwell and Rollo provided a PowerPoint presentation regarding the status of groundwater remediation program. Specific topics of discussion included an overview of the five plumes, responsibility toward four of the five plumes, Central Plume, South Central/Western Plume, Southern Plume, and the Northern Plume.

In response to Council Member Johnson, Mr. Smith stated they are not as far along with the Northern Plume as the other plumes and there may be some natural progression with the contamination. Mr. Smith stated they do not yet have the summary document showing data and statistics for the Northern Plume argument to the Regional Board.

In response to Mayor Pro Tempore Hitchcock, Mr. Smith stated the additional work to be voted upon tomorrow includes the information needed to build and present a case for the Regional Board.

In response to Council Member Hansen, Mr. Smith stated that, while he is not sure of what Lustre-Cal is doing right now, it is planning on doing some soil evaporation and similar remedial work.

In response to Council Member Hansen, Mr. Smith stated one meeting was conducted with Lustre-Cal and it did not appear to have much information to do the work on site. City Attorney Schwabauer stated Lustre-Cal can continue doing incremental work for as long as the State will allow.

In response to Council Member Johnson, Mr. Smith stated the \$20 million savings will be realized through the time that has lapsed since the original diagnosis of the situation, the information that has come to light since then allowing for other means of remediation than originally thought, the State Board's realization of what can be reasonably required, and the actual savings from the active remediation and capital costs.

In response to Council Member Johnson, Mr. Schwabauer stated the original cost of clean-up

was based on an estimate of the information known at that time and the State appears to be more reasonable and may even allow watching the data for some time from the wells.

In response to Council Member Johnson, Mr. Schwabauer stated that, even if the City did obtain an order, the order would not necessarily state when our efforts would be complete and the order could change in the future.

In response to Mayor Pro Tempore Hitchcock, Mr. Smith stated each water board works a little differently depending upon the geographical area and remediation orders are different as well.

In response to Council Member Hansen, Mr. Smith stated many cities have groundwater contamination concerns and the approach of each may be different based on effects on drinking water.

In response to Council Member Hansen, Mr. Smith stated contamination below 200 feet in the Southern Plume is not expected, although they have not gone down that deep. Mr. Smith stated the Central Plume has an extensive monitoring system near 200 feet.

In response to Council Member Johnson, Mr. Smith stated Lustre-Cal is responsible for soil remediation, the City is responsible for groundwater remediation, and while the City can proceed separately the source area could affect the City's efforts as well.

In response to Mayor Katzakian, Mr. Smith stated Lustre-Cal is responsible for answering to the same State Board agency as the City.

In response to Council Member Hansen, Public Works Director Wally Sandelin stated the drinking water is safe and the City will continue to monitor the situation well into the future.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin stated new wells are also a possibility to ensure safe drinking water into the future.

Mr. Sandelin provided a PowerPoint presentation regarding the PCE/TCE status report. Specific topics of discussion included PCE/TCE workplan, water and wastewater rates and utility financial models, surface water treatment facility, water meter program, rate comparisons, superior water quality, Delta protection, recharge being slow, Stockton benefits, recharge versus direct use costs, timing issues, schedule, project budget, current activities, and Phase 1 of construction.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin stated the 50/50 split between fixed and usage components is common among cities.

Council Member Mounce and Mayor Pro Tempore Hitchcock requested a list of other communities that have similar and differing rate models for Wednesday night's Council meeting.

In response to Council Member Hansen, Mr. Sandelin stated staff will be asking the Council to consider a 25% reserve policy based on the standard of practice in other communities.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin stated the revenues from separate charges have all rolled into operations and a \$2 million annual infrastructure program was established.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin confirmed the State law requirement for 30/70 may be five to six years out, metering needs to be done first, and there is some discussion about a conceptual plan, although there is not a specific deadline set by the State for implementation of the 30/70 split.

In response to Council Member Johnson, Mr. Sandelin explained that there may be some changes in demand characteristics and it is important to understand what those are before the 30/70 split transition happens.

In response to Council Member Mounce, Mr. Sandelin stated the rates are designed to meet the utility costs and reserve policy needs.

In response to Council Member Hansen, Mr. Sandelin stated the utilities operate on a revenue neutral basis.

In response to Council Member Mounce, Mr. Sandelin stated the rates are adjusted on an ongoing basis to ensure the City is not generating revenue since the utility must be revenue neutral.

In response to Council Member Hansen, Mr. Sandelin stated a vacant rate would include the cost of keeping the service available to the property.

In response to Myrna Wetzel, Mr. Sandelin confirmed there is no program where a vacant property would not pay anything.

In response to Council Member Mounce, Mr. Sandelin confirmed the tenth of a cent charge per gallon as proposed and illustrated on the chart.

In response to Council Member Hansen, Mr. Sandelin stated an average person uses 220 gallons per day and therefore a six person home could easily use 1,000 gallons per day.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin stated the proposed model diverts all PCE/TCE to a single revenue line from which funds will be directed to various activities and programs such as operations and clean-up as necessary. Mr. Sandelin stated this will allow the City to better monitor and track the expenses.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin stated currently \$2.6 million is collected annually for PCE/TCE, there is \$15 million total collected, settlement funds can only be used for certain activities, and the water fund could go toward a variety of activities.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin stated the rate increase is intended to keep up with inflation and operating costs and does not include PCE/TCE monitoring.

In response to Council Member Mounce, Mr. Sandelin stated the base and usage rate cost comparisons are based on existing rates and not proposed metered rates.

In response to Council Member Hansen, Mr. Sandelin stated the metering information will be sent out to the public in August and will be available on the City website as well.

In response to Mayor Pro Tempore Hitchcock, Mr. Sandelin stated the \$15 million will not go very far even if the PCE/TCE original clean-up cost estimate of \$70 million is reduced to \$50 million. He stated staff will look at restructuring options if the costs are reduced to \$20 million.

A brief discussion ensued among City Council regarding the proposed rates and clean-up estimates.

In response to Council Member Hansen, Mr. Sandelin stated staff is working with a 30-year debt structure model although it could be retired sooner.

C. Comments by Public on Non-Agenda Items

None.

D. Adjournment

No action was taken by the City Council. The meeting was adjourned at 8:30 a.m.

ATTEST:

Randi Johl
City Clerk



CITY OF LODI COUNCIL COMMUNICATION

AGENDA TITLE: Presentation Updating Status of PCE/TCE Cleanup Program, Proposed Wastewater and Water Rates, Status of Water Meter Program and Status of Surface Water Treatment Plant Facility

MEETING DATE: July 20, 2010 (Shirtsleeve Session)

PREPARED BY: Public Works Director

RECOMMENDED ACTION: Presentation updating status of PCE/TCE Cleanup Program, proposed wastewater and water rates, status of Water Meter Program, and status of Surface Water Treatment Plant Facility.

BACKGROUND INFORMATION: At the July 21, 2010 City Council meeting, a number of actions may be taken by the City Council. The Shirtsleeve presentation will provide background information relative to these action items.

Task Orders No. 21 and 22 of the Treadwell and Rollo Master Services Agreement will implement new direction from the Regional Water Quality Control Board regarding the remediation activities for the Southern, South Central/Western, and Northern Plumes. A presentation by Phil Smith of Treadwell and Rollo will be provided regarding this new direction and the task orders.

The City Council will hold a public hearing July 21, 2010 to consider raising wastewater rates 12 percent and water rates two percent, as well as setting usage-based wastewater and water rates. The usage-based wastewater and water rates are an integral element of beginning the usage-based billings for approximately 2,800 customers on January 1, 2011. Information regarding various elements of the rate increase and examples of future customer charges will be provided.

Approval to proceed with bidding of the Surface Water Treatment Facility project will be requested at the July 21, 2010 meeting. Background information regarding the history of this project and the future actions to be requested of the City Council will be presented by staff.

FISCAL IMPACT: Not applicable.

FUNDING AVAILABLE: Not applicable.


F. Wally Sargelin
Public Works Director

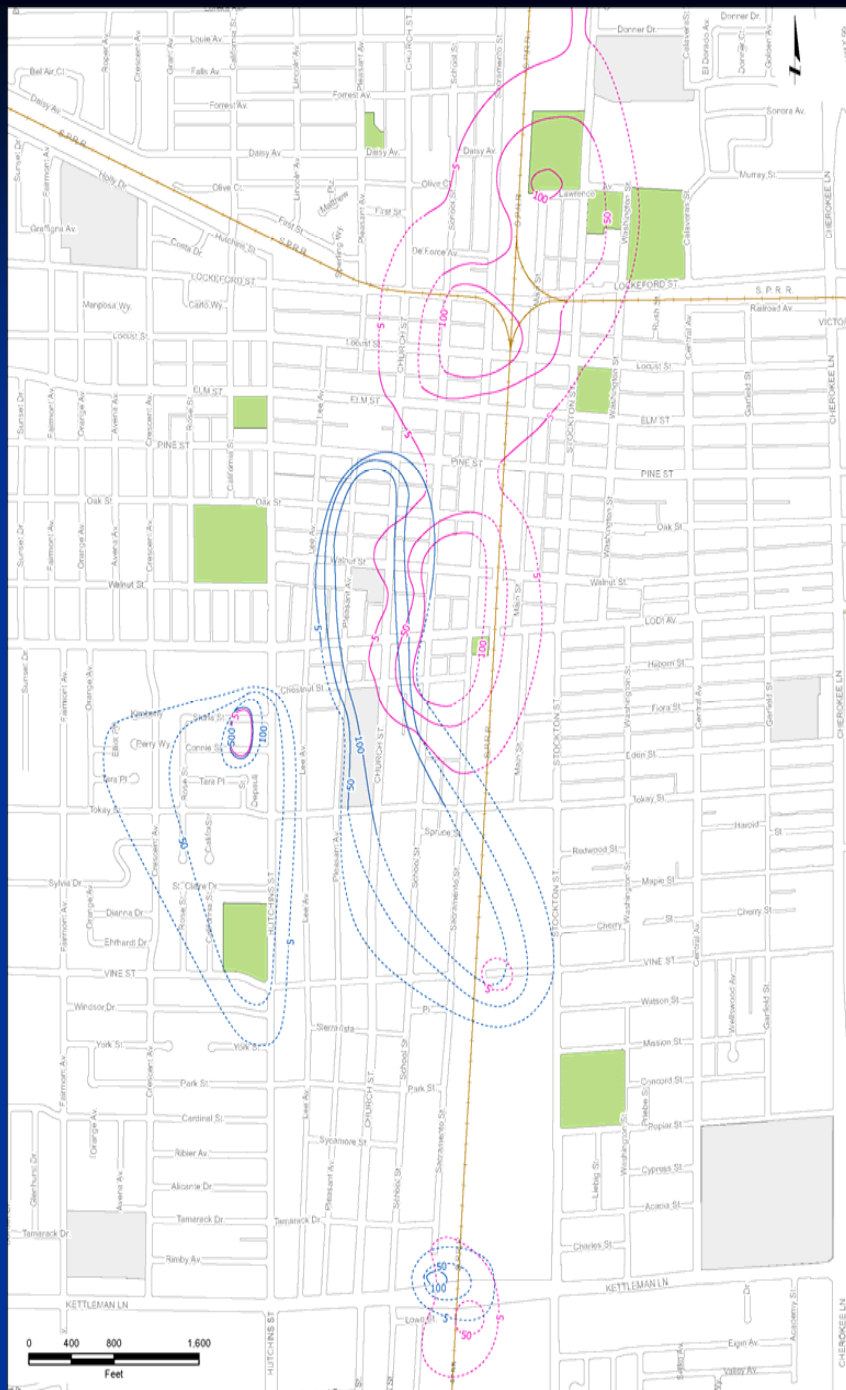
FWS/pmf

APPROVED: 
Konradt Bartlam, interim City Manager

**City Council
City of Lodi**

20 July 2010

**Status of Groundwater
Remediation Program**



The 5 Plumes

Legend

- Railroad
- Road Edge
- Intermediate Zone, December 2004
- PCE Contour, ug/L
- PCE Estimated Contour, ug/L
- Intermediate Zone, December 2004
- TCE Contour, ug/L
- TCE Estimated Contour, ug/L
- Park
- School

Notes:

The data presented in this figure is for information purposes only. Much of it is sourced from third party work and the City makes no representations or adoptive admissions regarding its accuracy. Basemap source: City of Lodi Public Works.

Central Plume

- Source Area Remediation to begin September 2010
- Groundwater monitoring program continues
- RWQCB and Corrective Action Order (CAO) status

South Central/Western Plume

- RWQCB agrees in principle to monitored natural attenuation (MNA)
- Scope of work submitted to City includes 4 nested monitoring well sets (2-4 wells per set)

Southern Plume

- RWQCB accepts in principal MNA
- Scope of work submitted to City includes additional plume definition and installation of 3 nested monitoring well sets (3-4 wells per set)

Northern Plume

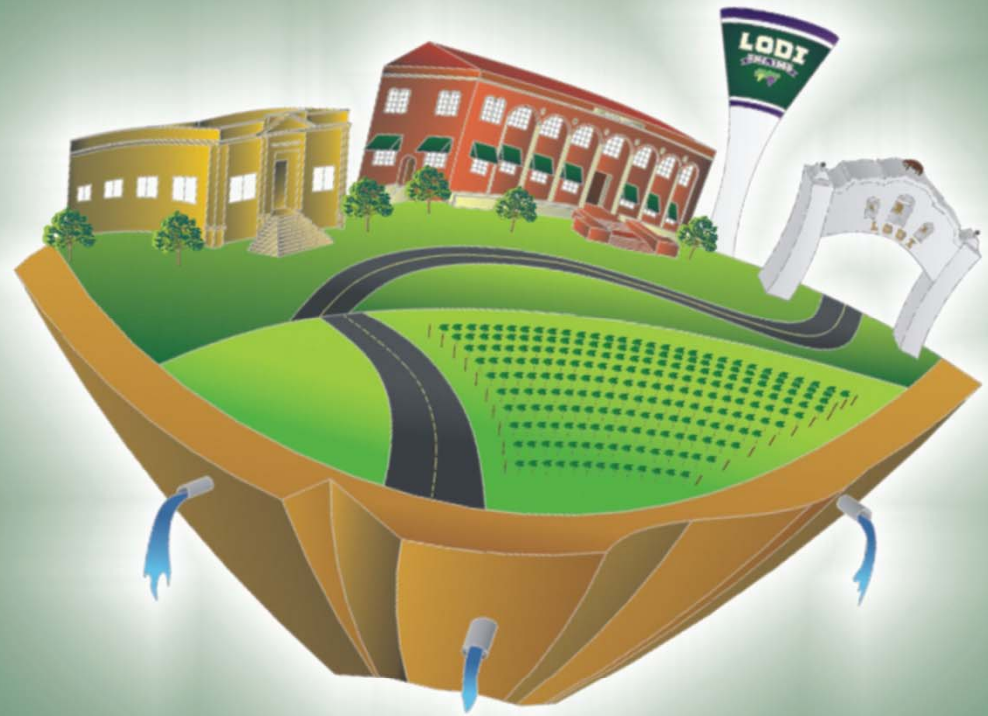
- City has met with the technical representative of LusterCal to exchange information
- LusterCal to remediate soil contamination and the City to remediate groundwater
- The Northern Plume likely exists in the vicinity of the eastern edge of the Central Plume

Northern Plume

- Questions remain whether Central and Northern Plume remedial activities will intersect
- Scope of work submitted to City for work in Northern Plume includes:
 - Assess condition of monitoring wells and need for additional monitoring wells
 - Assess whether additional groundwater modeling runs are needed for plume definition and well location
 - Installation of additional monitoring wells

Summary and Q&A

The City of Lodi
**Public Works
Engineering**



Shirtsleeve

July 20, 2010



Outline

- PCE/TCE Workplan
- Wastewater Rates & Utility Financial Model
- Water Rates & Utility Financial Model
- Surface Water Treatment Facility
- Water Meter Program



Wastewater Usage Based Rates

- Revenue Neutral
- 50/50 Split Between Fixed and Usage Components
- Billings Begin Concurrent With Metered Billings
- Revenue Neutrality Confirmed by Experience
- Vacant Unit Rate Coming Soon



Wastewater Rates

- Recommend Increase of 12% instead of 20%
- Inclusive of 1.05% ENR Increase
- Effective Immediately
- Flat Rate Increase Not Subject to Proposition 218
- Usage Based Rate Increase Subject to Proposition 218



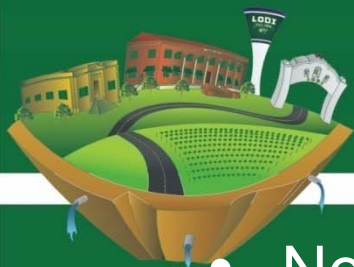
Wastewater Usage Based Rates

- Fixed Monthly Service Charge
 - \$21.22 Per Month Effective July 1
 - Based Upon Winter Water Usage - Monthly Average of December, January, February
 - Recalculated Each Year
- Usage Based Charge
 - \$2.41 per hundred cubic feet (748 gallons)



Proposed Wastewater Flat Rates

Residential	Current	July 2010
1 Bedroom	\$20.81	\$23.31
2 Bedroom	\$27.74	\$31.07
3 Bedroom	\$34.68	\$38.84
4 Bedroom	\$41.61	\$46.60
5 Bedroom	\$48.55	\$54.38
6 Bedroom	\$55.48	\$62.14
7 Bedroom	\$62.42	\$69.91



Wastewater Utility Model

- New Model Created
- Assumptions Reviewed
- White Slough Operating Cost Experience

	FY 2009/10 12%	FY 2010/11 5%	FY 2011/12 5%	FY 2012/13 0%
EOY Balance	14,275,000	8,734,000	8,731,000	7,049,000
Operating Reserve (25%)	3,086,000	3,070,000	3,147,000	3,226,000
DS Reserve	2,170,000	2,170,000	2,170,000	2,170,000
COP Proceeds	5,634,000	534,000	534,000	
Rate Stabilization	250,000	500,000	500,000	500,000
Available Reserve	3,135,000	2,460,000	920,000	1,144,000



Water Rates

- Recommended Increase 2% Effective Jan. 2011
- Projected ENR Increase is 2.10% for Dec. 2008 through Dec. 2010
- Flat Rate Increase Subject to Proposition 218
- Usage Based Rate Increase Subject to Proposition 218



Water Usage Based Rates

- Revenue Neutral
- 50/50 Split Between Fixed and Usage Components
- State Law Requires Ultimate 30/70 Split
- Billings Begin Jan. 2011
- Revenue Neutrality Confirmed by Experience
- Vacant Unit Rate Coming Soon



Water Usage Based Rates

- Fixed Monthly Service Charge - \$21.22
- Usage Based Charge
 - ☐ Tier 1 0 – 7,480 gals \$0.0012/gal
 - ☐ Tier 2 7,481 – 37,400 gals \$0.0018/gal
 - ☐ Tier 3 More than 37,400 gals \$0.0023/gal



Proposed Water Flat Rates

Residential	Current	July 2010
1 Bedroom	\$27.98	\$28.54
2 Bedroom	\$33.61	\$34.28
3 Bedroom	\$40.28	\$41.09
4 Bedroom	\$48.40	\$49.37
5 Bedroom	\$58.06	\$59.22
6 Bedroom	\$69.67	\$71.06
7 Bedroom	\$83.58	\$85.25



Water Utility Model

- Excludes PCE/TCE Reserves
- Includes Water Treatment Plant Debt Service

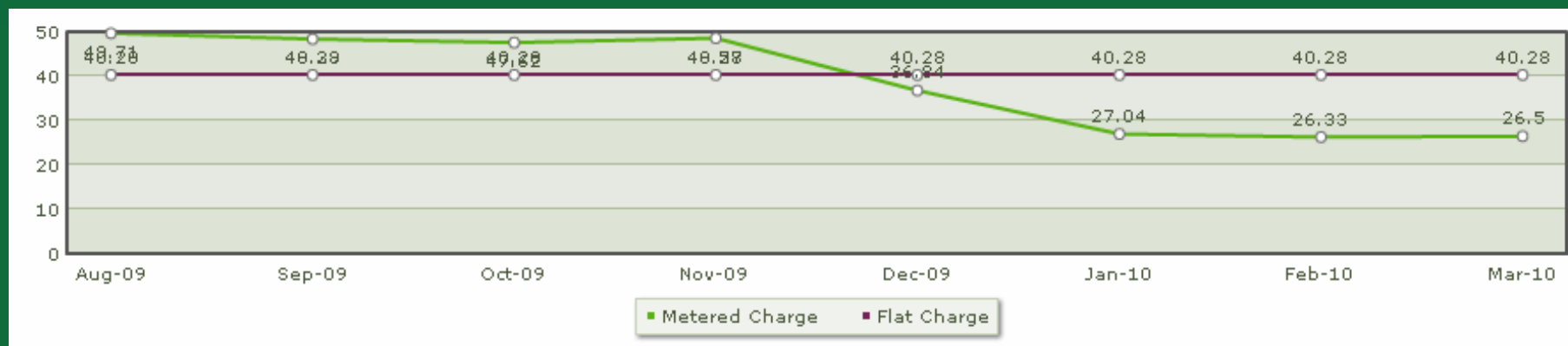
	FY 2009/10 0%	FY 2010/11 2%	FY 2011/12 3.5%	FY 2012/13 3.5%
EOY Balance	15,056,000	55,088,000	22,295,000	17,782,000
Operating Reserve (25%)	1,551,000	1,536,000	2,283,000	2,756,000
DS Reserve	0	4,095,000	4,095,000	4,095,000
COP Proceeds	0	34,341,000	2,204,000	0
Rate Stabilization	0	0	0	0
PCE/TCE	3,090,000	761,000	722,000	1,286,000
Available Reserve	10,415,000	14,355,000	12,291,000	9,645,000



Rate Comparison – 2 BR

Waterwater	Avg CCF	Base	Usage	Future	Existing	Difference
1517 Lexington Dr.	6.93	\$18.95	\$14.91	\$33.86	\$27.74	+\$6.12

Water

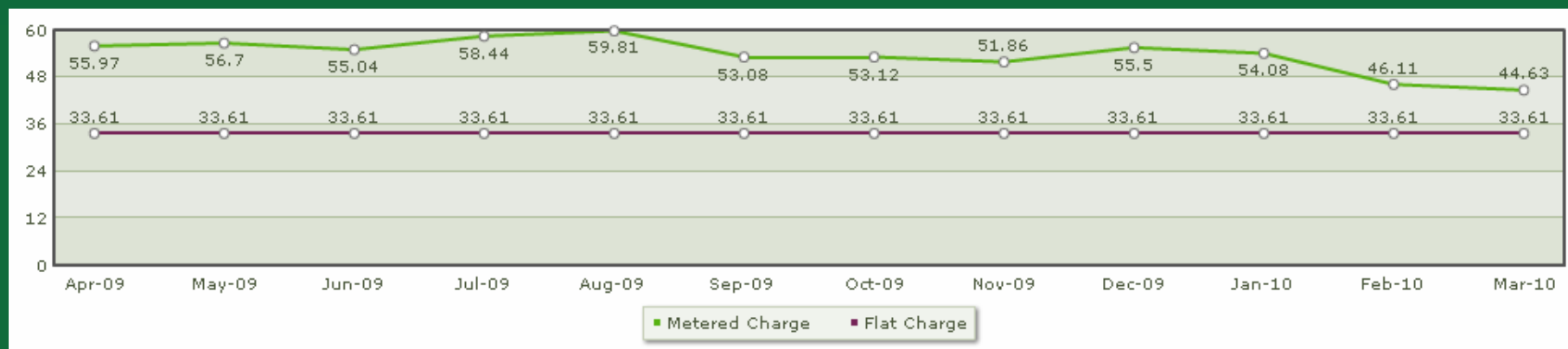




Rate Comparison – 2 BR

Waterwater	Avg CCF	Base	Usage	Future	Existing	Difference
908 Sequoia Ct	26.32	\$18.95	\$56.58	\$75.53	\$27.74	\$47.79

Water

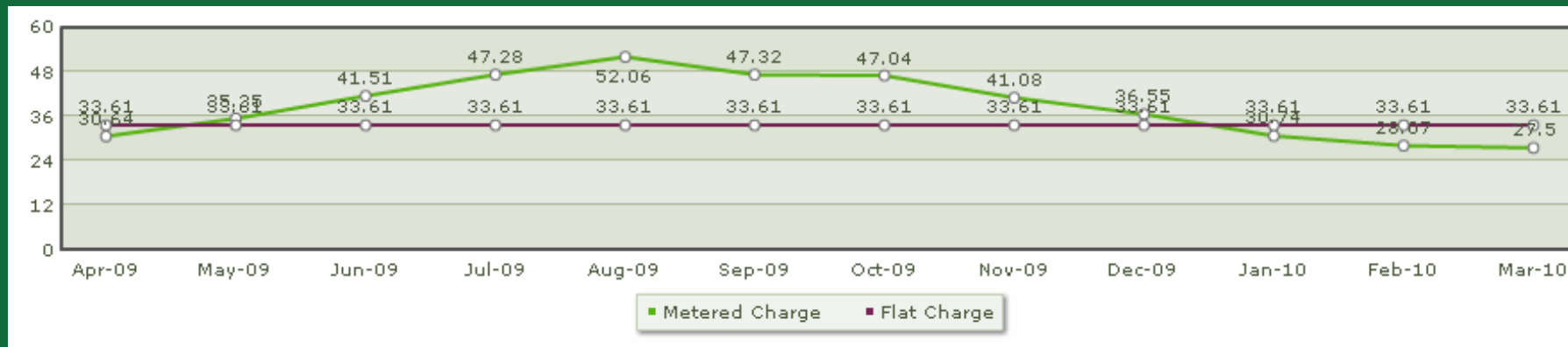




Rate Comparison – 3 BR

Waterwater	Avg CCF	Base	Usage	Future	Existing	Difference
959 Pearwood Cir	33.34	\$18.95	\$71.68	\$90.63	\$34.68	+\$55.95

Water

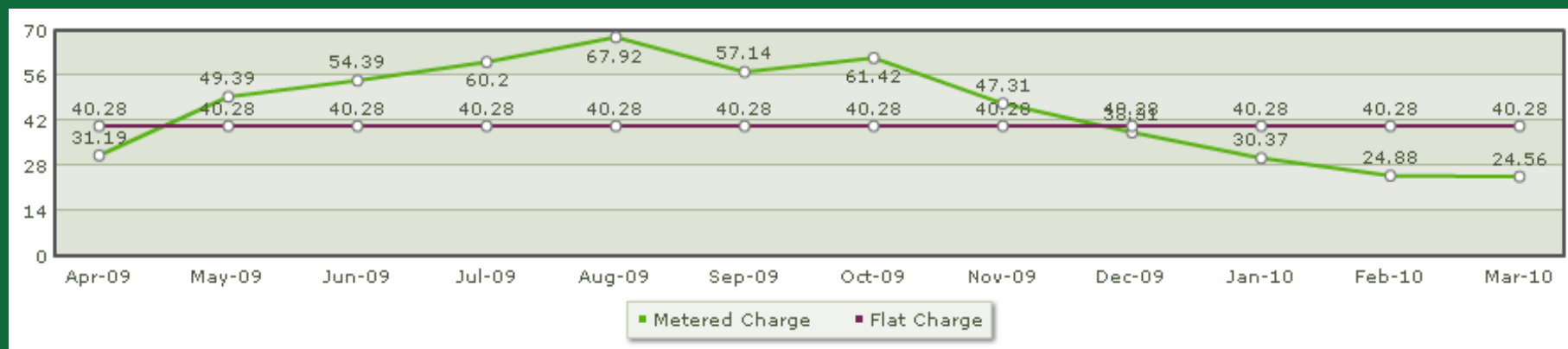




Rate Comparison – 3 BR

Waterwater	Avg CCF	Base	Usage	Future	Existing	Difference
2928 Applewood Dr.	9.43	\$18.95	\$20.27	\$39.22	\$34.68	+\$4.54

Water

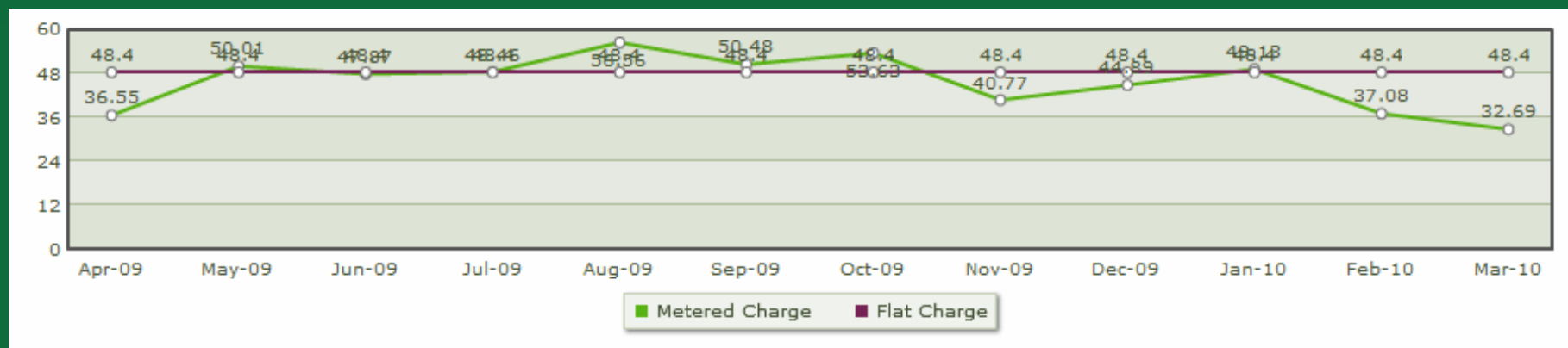




Rate Comparison – 4 BR

Waterwater	Avg CCF	Base	Usage	Future	Existing	Difference
836 Live Oak Wy	19.96	\$18.95	\$42.91	\$61.86	\$41.61	+\$20.25

Water

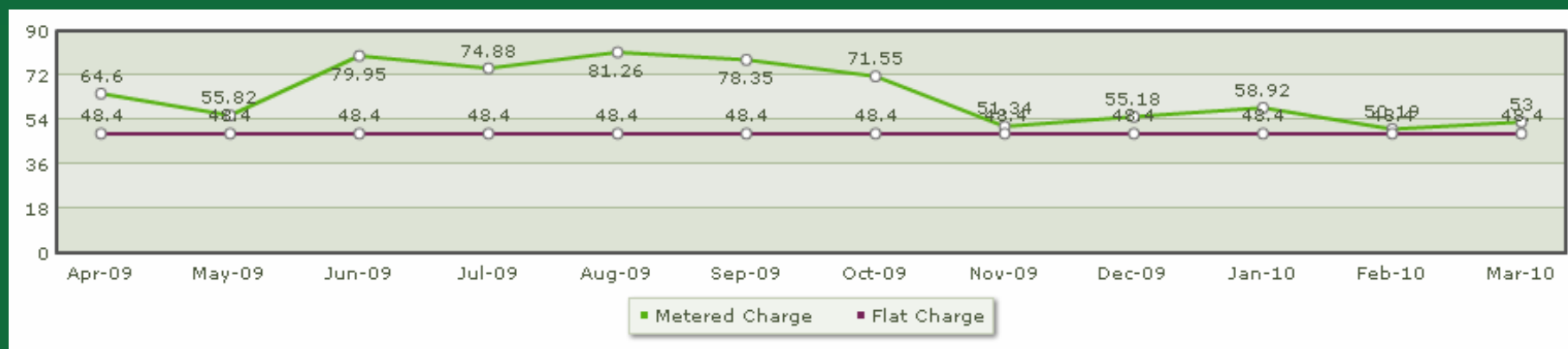




Rate Comparison – 4 BR

Waterwater	Avg CCF	Base	Usage	Future	Existing	Difference
1163 Vienna Dr	28.54	\$18.95	\$61.35	\$80.30	\$41.61	+\$38.69

Water

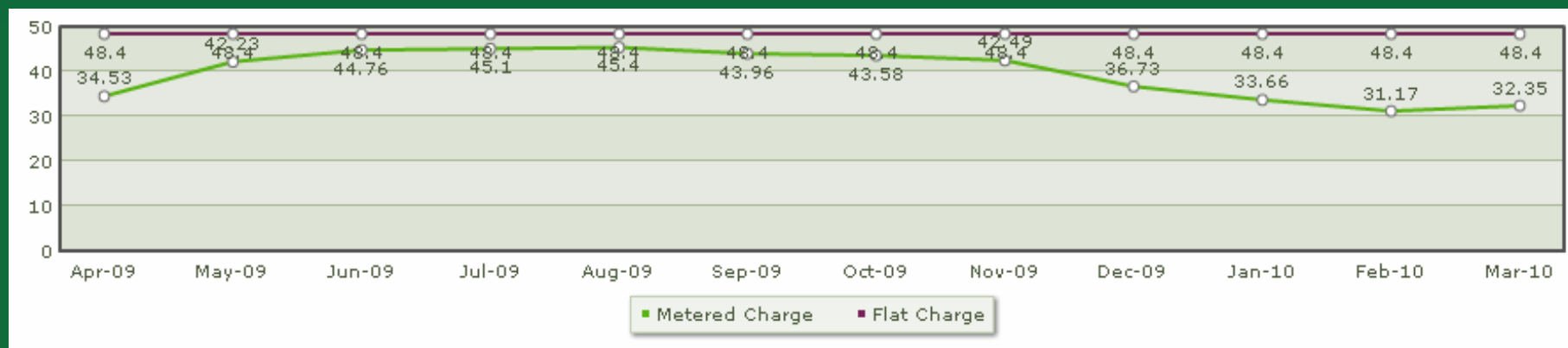




Rate Comparison – 4 BR

Waterwater	Avg CCF	Base	Usage	Future	Existing	Difference
620 Live Oak Ct.	12.33	\$18.95	\$26.51	\$45.46	\$41.61	+\$3.85

Water





Rate Comparison

Agency	Wastewater	Water
Galt	\$53.24	\$22.31
Manteca	\$43.30	\$41.70
Tracy	\$32.20	\$32.60
Lodi	\$38.84	\$43.75
Stockton	\$24.85	\$38.05

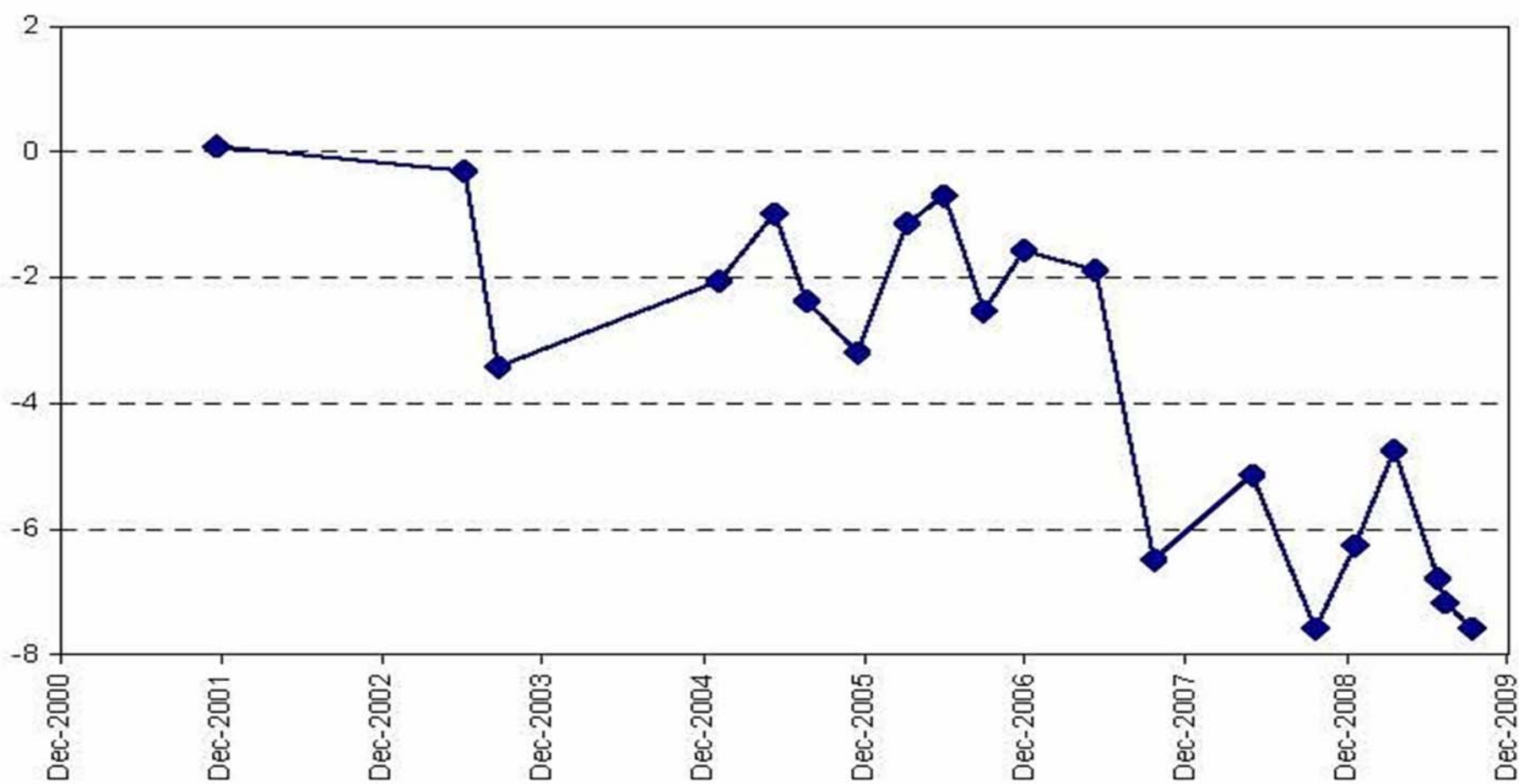


Surface Water Treatment Facility

- Background
- Timing
- Schedule
- Budget



Groundwater Elevation (feet msl) versus Time





Superior Water Quality

	Groundwater	Mokelumne
TDS (mg/l)	254	35
Hardness (mg/l)	131	14
Alkalinity (mg/l)	163	<20
Copper (ug/l)	320	<5
Turbidity (NTU)	0.06	2.4
PCE (ppb)	0.09	0
DCE (ppb)	0.07	0
TCE (ppb)	0.12	0
DBCP (ppb)	30	0



Delta Protection

- Total Dissolved Solids (current) 430 mg/l
- Total Dissolved Solids (reduced) 300 mg/l
- Avoided Capital Cost \$8.6 million
- Avoided Annual Operations Cost \$948 thousand



Recharge Is Slow

**Vegetation
Uptake**
3 – 5%

Vertical Velocity
7 feet per year

50 feet
7 Years
100 feet
14 Years

250 Feet
35 Years

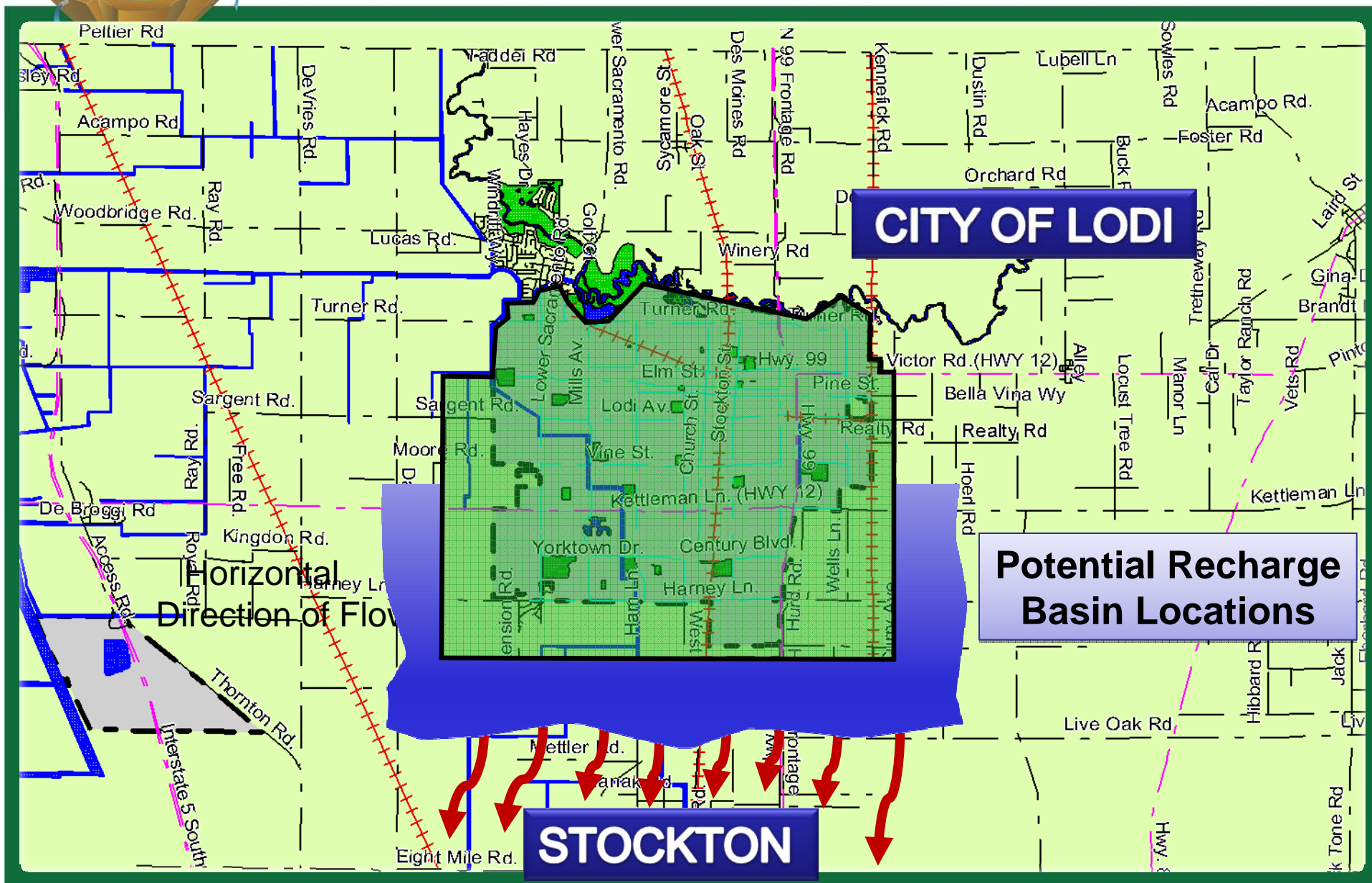
**Recharge
Basin**

**Evaporation
Losses**
6 – 8%

**Lodi Wells Pump
From 250 Ft and
Lower**



Stockton Benefits



Costs ~ Recharge vs. Direct Use

Recharge vs. Direct Use Capital Costs

Low Range

High Range

Recharge:	\$ 6,013,000	leased land @ \$350/acre for 40 years	\$ 30,301,000	purchased land @ \$300,000/acre
Recharge w/Recovery:	\$11,013,000	above plus transmission system	\$ 35,301,000	above plus transmission system
Direct Use:	\$29,500,000	latest estimate Note: All estimates are very preliminary	\$ 36,700,000	2004 estimate



Timing Issues

- ☐ Banking Option Ends Oct. 2010
- ☐ Cost of Indecision = \$100,000 per month
- ☐ Favorable Bid Climate
- ☐ Creates Local Jobs



Schedule

- Prequalification of Contractors
- Notice Inviting Bids – August 5, 2010
- Financing Approvals – September 2010
- Award Contract – October 20, 2010
- Construction Period 18 – 24 Months



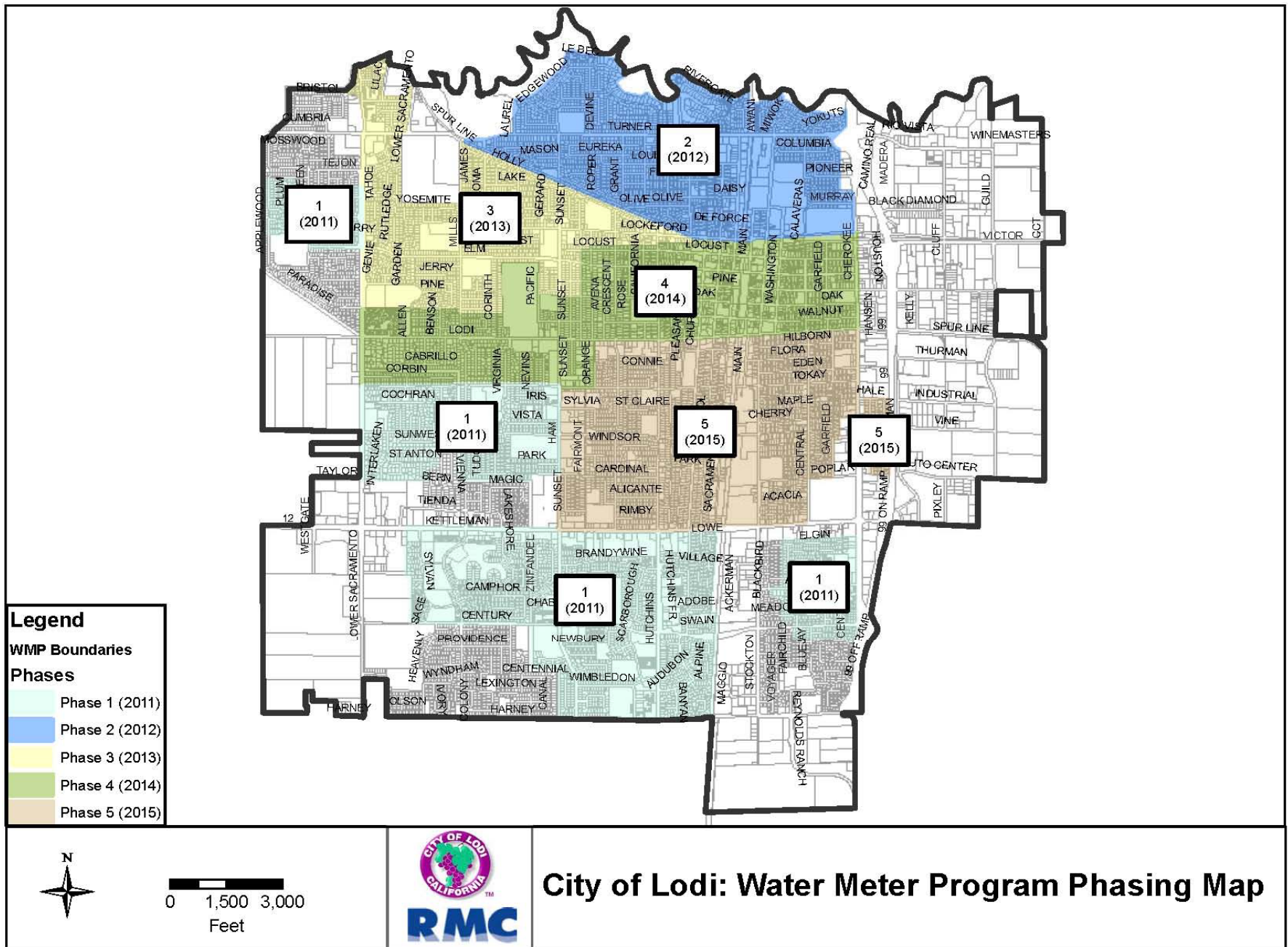
Project Budget

Budget Item	Amount
Site Acquisition – Parks Department	\$ 1,200,000
Wastewater Connection Fee	\$ 1,460,000
Construction, Fees & Related	\$33,100,000
Pall Membrane System	\$ 3,500,000
Other Equipment	\$ 475,000
Construction Administration	\$ 500,000
Contingency (5%)	\$ 2,000,000
Total	\$42,235,000



Water Meter Program

- Prepaid Meter Class – 2,882 total
- Usage Based Bills Jan. 2011
- Breakdown
 - 2,405 SFR Owner Occupied
 - 427 SFR Tenant Occupied
 - 12 SFR Uncertain Occupancy
 - 27 Condo Owner Occupied
 - 9 Condo Tenant Occupied
 - 2 Vacant Lots





Current Activities

- 490 Information Requests
- 16 Eligible Private Installations
- 11 Pending or Complete Installations
- 5 Non-Eligible Properties



Construction Phase 1

- 4,353 Meters to Install
 - 3,405 Single Family
 - 208 Duplex
 - 13 Triplex
 - 10 Fourplex
 - 37 Condominium
 - 2 Apartment
 - 678 Other or Not Typed Yet
- 4,500 Feet of New Pipe



Questions?